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# **China in the South Pacific: No New Hegemon on the Horizon**

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## Summary

From 2000 until 2010, the People's Republic of China has taken on a much more significant role in the international arena. Its steadily growing economic and political involvement in Asia, Africa and Latin America is associated with its rise as a new world power with the potential to challenge the global leadership role of the remaining superpower, the United States. The People's Republic is also continually expanding its influence in the South Pacific region. Although it has diplomatic relations with only seven of the 13 independent South Pacific island states, after 200 years of Western domination there is now already talk of an unfolding paradigm shift within the region. In less than 10 years China's trade with the South Pacific States has increased tenfold to US\$ 1.4 billion (2007).

Whereas Western states have reduced or even completely closed down their embassies, staff and developmental cooperation in the region since the end of the Cold War, Peking has constantly expanded its diplomatic presence and development cooperation. Security experts are warning about the long-term strategic intentions of the People's Republic in the region. Many are asserting that the South Pacific has already been chosen by Peking as its strategic backyard. Others see the U.S. as already under challenge in the region as the unipolar hegemon today, and are proclaiming a new cold war.

In fact, there is no doubt that the days are over where the South Pacific was solely under the influence of the West. The Chinese government has sagely and deftly turned the waning interest of European countries and the U.S. in the region, which reflects worldwide economic structural changes in the context of a changing international division of labor, to its advantage by deepening bilateral relations with its South Pacific partners. Although the motivation for Chinese involvement from the middle of the 1990s initially focused on blocking further expansion of Taiwan and the solidarity of the States when issues were put to a vote in international organizations, over the past decade this has been augmented by the desire to secure supplies of raw materials and sales markets. These are necessary to maintain China's rapid pace of economic growth.

The competition between China and Taiwan for diplomatic recognition is taking on a destructive quality. The validity of the basic principle of noninterference in the internal affairs of other States championed by mainland China, one of the "five principles of peaceful coexistence," is not respected by Beijing itself, as shown by their cloaked interventions in the domestic policy of numerous island states. The influence of the two States ("check-book diplomacy") corrupts internal political processes, devalues elections and reduces the legitimacy of people active in politics. All told, the competition between China and Taiwan for recognition destabilizes the only weakly institutionalized states and encourages endemic corruption.

The substantially increased development cooperation by both Peking and Taiwan since 2006 has also met with criticism from established donor States and nongovernmental organizations. Because of its generosity and perceived freedom from conditions ("no strings attached"), it is warmly welcomed by these governments. That the cooperation is unconditional proves, however, to be deceptive, since development projects are linked to

terms of delivery dictated by Beijing. Workers and materials come exclusively from China. Most of the work involves large-scale projects which benefit elite groups in urban centers. The support that is given not only lacks transparency, is inappropriate for local conditions and causes debt spending, but it also undermines longstanding efforts by previous donor countries to link development aid with responsible government. In Fiji it has also stabilized the military regime. Despite the increase in development aid from the two East Asian States, the contribution of the Western donor bloc to official development cooperation continues to be overwhelming.

Thanks to the election of Taiwan's President Ma Ying-jeous in May 2008 and the improved bilateral relations between Taipei and Beijing, a partial change in a positive direction is becoming visible both on the issue of "check-book diplomacy" as well as with development cooperation. While the "truce" in their competition proclaimed by both sides offers Taiwan the chance to re-focus development cooperation on long term results and to intensify cooperation with international donors, Beijing continues to refuse to make its development aid transparent and to coordinate it with other donor countries.

However, economic cooperation with Beijing may well present a major challenge for the island states. In only a few years China has evolved into a major player, but, especially in extraction of raw materials, is only one among many investors operating globally. Until now, Australia, Japan and the European Union have been able to maintain their strong sub-regional presence as trade partners of the island states. However, it is not just large Chinese corporations which are increasingly active in the South Pacific, but first and foremost illegal Chinese immigrants or immigrants of Chinese descent, too, who dominate not only the wholesale and retail trade but the service sector as well. Their strong presence is forcing local companies out of business, which leads to deep resentment and defensive reactions as borne out by the destruction of Chinese business districts in Tonga and the Solomon Islands in 2006 and the almost regularly incidence of Chinese business people being murdered in Papua New Guinea.

The economic involvement of China, as well as other East Asian and Southeast Asian states, has suffered a significant loss of reputation in the region. The criticism is directed in particular at uncontrolled overfishing on a wide scale, predominantly illegal large-scale logging in the forestry sector and the use by Chinese firms of their own workers. This leads to the loss of jobs and denies locals any spin-off advantages even for low-level, menial jobs. It is obvious that economic cooperation with the island states has hardly led to the "win-win" situation promised by Beijing. This means that China's acclaimed South-South model of cooperation (the "Beijing Consensus") as an alternative to Western development concepts has no empirical basis. As with other economic players, self-interest stands in the foreground. The economic impetus stemming from the Asian continent and in this case especially from China will continue to be felt above all in the few States with mineral ore reserves.

Currently, it is hardly possible to speak of "soft power" qualities of China comparable with those of the West. Because of its economic development path, its political ideals and its culture, the appeal of mainland China continues to be limited in the island states. For decades to come, the People's Republic will possess even less the "hard power" for posit-

ing a realistic threat to the security architecture of the Pacific region or even to the military superiority of the U.S. To date, Beijing has no military bases in the region. For these reasons, China is far from being able to restructure the order of things in the region. There are also no known intentions on Beijing's part of taking such a step. The "China threat" debate also fails to recognize the solidity of continuing relations with the former colonial powers. Even today, half of the 26 South Pacific States and territories are integrated into the Western metropolitan powers or enjoy associate status which guarantees them massive financial support. The current limited military capacity of the People's Republic is also not taken into account. Regardless of this, a preventive military buildup by the US and Australia is already taking place in the Asia-Pacific region, which not only makes conflicts of interest with China inevitable in the middle term, but could also lead to an armaments spiral in the neighboring East Asian and Southeast Asian States.

*Pax Americana* is still the indispensable framework for embedding the rise of China in the wider region. This means that Chinese-American relations remain vitally important. The rapprochement between Taipeh and Beijing, which has significantly defused the previous tensions over Taiwan, has marked out a path forward in constructive dialog. Potential conflicts can only be expected if the Chinese expectation of a stronger political leadership role in the region and the willingness of the US to make room for this cannot be brought into balance. This is true both regionally and globally.



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## 1. Introduction

“Does China matter?” asked the British expert on China, Gerald Segal from the London International Institute for Strategic Studies, in 1999 and then casually waved the question aside, declaring the People’s Republic to be only a middle power assigned too much importance (Segal 1999). Ten years on, the world order has changed fundamentally and it is no longer possible to speak of a “noncompliant world power” (Kempf 2002) having limited global significance. The People’s Republic has gained substantially in stature in the last decade, economically, in terms of external and internal policy as well as militarily. Its growing involvement in Asia, Africa and Latin America is not only linked with the rise of a new world power, but is also associated with a future challenge to the global leadership role of the US.

In the South Pacific too China’s influence has taken on a new quality that can already be equated with a paradigm shift after 200 years of European domination. The growth in the significance of China in the South Pacific States took place in less than a single decade. Although the region, which together with the Pacific Ocean and with barely 14 million inhabitants (including New Zealand) occupies nearly a third of the earth, has until now been regarded solely as a Western sphere of influence, today the People’s Republic together with overseas Chinese and Chinese emigrants are assuming an increasingly important economic role. For instance, China’s trade with the South Pacific has been growing at a rapid pace. From 1997 to 2007 trade with the region increased tenfold, from \$ 133 million to \$ 1.4 billion (International Monetary Fund 1998, 2008). Three thousand Chinese state-run and private companies are currently said to be operating in the Pacific representing investment volume of over \$ 1.5 billion (Buchanan 2009).

Since the beginning of the new millennium the People’s Republic has steadily increased its diplomatic presence in the region, whereas other states such as the US, the United Kingdom and Germany have reduced the number of embassies, diplomats and development aid workers, or have withdrawn them completely. According to the thesis of numerous observers, China has avidly stepped in to fill the vacuum left behind. The People’s Republic now has the largest number of diplomats in the region, even though bilateral relations currently exist with seven of the 13 independent States (Cook Islands, Fiji, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga and Vanuatu). In contrast, the remaining six nations (Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu) recognize the Republic of Taiwan. The competition between the two Chinese states for diplomatic recognition in the region became keener at the end of the 1990s. Their so-called “checkbook diplomacy” did not hold back from exerting direct influence and manipulating internal political conditions in individual South Pacific states. This exertion of influence ran counter to the intensive efforts over many years of previous cooperation partners and international institutions to encourage political stability and good governance practices.

Also relevant in this context is the development cooperation of China and Taiwan which, as in the case of granting of credits, is used as an instrument for influencing diplomatic recognition. In the meantime, China has become the third most important donor

country for the Pacific states after Australia and the US. The bilateral development aid which, according to China, is provided outside the framework of obligatory diplomatic recognition (“One-China policy”) and without any conditions whatsoever has been the subject of criticism for years. Established bilateral and multilateral institutions warn not only of the lack of transparency, the inappropriateness for local conditions and the intense levels of debt related to the aid, but for years have also been calling for cooperation and coordination.

This report examines the challenges and potential conflicts associated with the rise of China and Taiwan in the South Pacific. After an overview of the characteristics of the region and an outline of China's basic foreign policy regarding the South Pacific states, four dimensions will stand in the foreground: On the one hand the rivalry between China and Taiwan for diplomatic recognition will be emphasized as one important factor. An analysis of the development cooperation of the two states will follow, which currently, at least from Taipei's side, suggests the need for abandoning current practice and turning to international donor organizations – a result of the significantly improved Chinese-Taiwanese relations since Ma Ying-jeou was elected Taiwan's president in May of 2008.

In a further step, the extent and quality of China's economic involvement in the region will be investigated. It will be asked who are the winners and who the losers in this cooperation. Is the “win-win” cooperation promised by Beijing really being achieved in the island states, or are the structures of neocolonialism or even a “yellow imperialism” (Croll et al. 2008), comparable with the criticism of China in Africa, becoming recognizable? The rapid economic “Asianizing” of the poorly developed island economies, the failure to create jobs for locals, the concentration of investment on production of raw materials and the flooding of the countries with goods suggest a one-sided attainment of Beijing's interests.

A final chapter concludes the report by considering the security configuration in the South Pacific. Since the end of the Second World War regional stability and security have been guaranteed by the US and its allies Australia, New Zealand and France, who together thus created the conditions for the successful economic rise of China. Commentators warn here against the long term strategic intentions of the People's Republic. Scholarly debate ranges from the thesis that the South Pacific has already been chosen by Beijing as its own strategic backyard to American authors who today already detect a challenge to the unipolar hegemony enjoyed by the US in the region, and see a new cold war developing. Common to these analyses is the hypothesis that China is functioning as the most expansionist power in the world (Crocombe 2005).

## **2. Decisive factors in the region: Smallness, fragile statehood and (post-)colonial continuity**

The South Pacific comprises the island states and territories, excluding Australia, distributed over an area of 70 million km<sup>2</sup> of ocean between the flourishing economic regions of East Asia and Southeast Asia and the American double continent. Twelve of the total of 26 political entities of the South Pacific belong to the United Nations. The States that are inde-

pendent according to international law are Fiji, the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea, the Solomon Islands, Samoa, Tonga, Tuvalu and Vanuatu. To these can be added the Cook Islands and Niue, which are associated with New Zealand, and twelve more territories annexed by the former colonial powers or continuing to be dependent (see Table 1). The South Pacific States belong to the last group of colonies which were given their independence after the Second World War.

For demographic and cultural reasons, New Zealand also belongs to the South Pacific. The most important regional organization is the Pacific Islands Forum (PIF, until 2000 the South Pacific Forum), to which the independent and associated island states plus Australia and New Zealand belong. Fourteen partner States are presently linked with the organization.<sup>1</sup> New Caledonia, French Polynesia, Tokelau and Timor-Leste have observer status. The Forum and its numerous sub-organizations are largely financed by Australia, New Zealand and the European Union.

**Table 1: Status of the 26 South Pacific States and territories according to international law**

Colonial power	Annexed or “dependent” territories	Self-governing in free association	Independent in free association	Independent
Australia	Norfolk Island			Nauru (1968) Papua New Guinea (1975)
United Kingdom and France				Vanuatu (1980)
United Kingdom	Pitcairn Islands			Fiji (1970) Tonga (1970) Tuvalu (1978) Solomon Islands (1978) Kiribati (1979)
France	French Polynesia New Caledonia Wallis and Futuna			
New Zealand	Tokelau	Cook Islands (1965) Niue (1974)		Samoa (1962)
US	American Samoa Guam Hawaii Northern Marianas		Marshall Islands (1986) Federated States of Micronesia (1986) Palau (1994)	
Indonesia	West Papua			
Chile	Easter Island			

Source: prepared by author

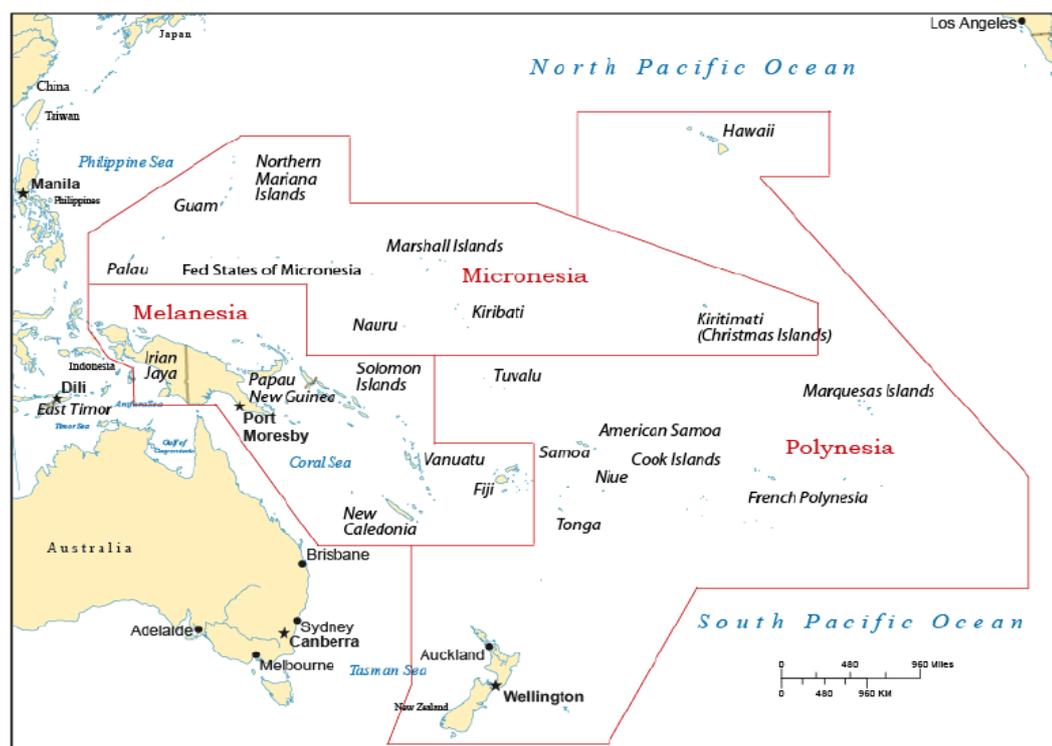
1 The 14 partner states of the Pacific Islands Forum are at present China, EU, France, United Kingdom, India, Indonesia, Italy, Japan, Canada, South Korea, Malaysia, the Philippines, Thailand and the US. Because of its regional presence, Taiwan is treated as an unofficial “special dialogue” partner of the forum (Sutter 2007: 288).

The region is divided into the cultural regions of Melanesia, Polynesia and Micronesia (see Figure 1). Whereas Melanesia, with well over 1,000 ethnic groups and a quarter of the world's languages, has a remarkable ethnic and cultural variety, the States of Polynesia and Micronesia are ethnically and linguistically largely homogeneous. However, the three cultural regions reflect the spheres of influence that grew out of the colonial period and the limited extent to which colonial domination has receded today. Thus, American and Japanese influence is concentrated on Micronesia, Australia's on Melanesia and New Zealand's on Polynesia. France's sphere of influence lies in both Polynesia and also Melanesia (New Caledonia, Vanuatu). British influence in the region is negligible today.<sup>2</sup>

The island states differ from other regions of the earth not only based on their geographic isolation. They also vary to the widest degree in size, population, available resources and level of development. For instance, among the 16 PIF States are the OECD members Australia and New Zealand, which also function as leading powers in the regional organization. The second group consists of the States with more than 100,000 inhabitants. These include Papua New Guinea, which because of its continental size has on its own 84% of the entire South Pacific land area of 551,457 km<sup>2</sup> and with 6.6 million just under 70% of the total Pacific population of 9.7 million (without New Zealand). In addition, Fiji, Kiribati, Micronesia, Samoa, the Solomon Islands, Tonga and Vanuatu also belong to this category. At the other end of the spectrum are the small and very small States with fewer than 100,000 inhabitants such as Tuvalu, whose mainland territory has 12,000 citizens spread across 26 km<sup>2</sup>. Other very small States are the Cook Islands and Marshall Islands, Nauru, Niue and Palau.

Leaving the economically advanced French overseas territories and New Zealand and Australia out of account, the levels of development and economic leadership of the island states vary enormously. In addition, because of their poverty in land-based resources (in contrast to the thus far not fully developed wealth of maritime resources in their respective exclusive economic zones), the economies of the small states are only integrated into the world economy to a very limited degree. Here the island states of Kiribati, Solomon Islands, Samoa, Tuvalu and Vanuatu, classified by the UN as "least developed countries," stand in stark contrast to the small state of Palau which has average per capita income of \$ 8,200. According to OECD criteria Papua New Guinea also belongs to this group.

2 During an official visit to New Zealand in 2006, the British Premier Tony Blair declared that "Britain is no longer a player in the Pacific, nor does it want to be. It's the end of an era." He added that London would henceforth rely on New Zealand as its eyes and ears in the region (cited in Squires 2006: no page given). However, the Pitcairn Islands remain as a British Colony.

**Figure 1: Pacific island states and subregions**

Source: Lum/Vaughn 2007: CRS-27

Although the region has been receiving the highest level of development aid per capita worldwide – by a wide margin – since 1970, this cooperation has scarcely been reflected in development successes and an improvement in the social circumstances of the people, especially in Melanesia (Asian Development Bank 2004a). In most states, progress in terms of the Millennium Development Goals can scarcely be detected (Commonwealth of Australia 2009). Economic stagnation, high population growth, conflicts over land, social divisions, growing poverty and erosion of cultural values have led in many independent island states to protests or even political uprisings.<sup>3</sup> Added to this is vulnerability to natural catastrophes and the serious effects of climate change already being felt today, which threaten the existence of numerous island states in the foreseeable future.

The most important criterion used for gauging inadequate or stagnating development of most island states, however, is poor government (ADB 2004a), which has led in the past decades to a noticeable decline in the state's authority, capacity to govern, and legitimacy. At the beginning of the new millennium there was already a discussion within academic circles of the existence of a Melanesian arc of instability, said to extend from Indonesian West Papua through Papua New Guinea all the way to Fiji. Internal policy conflicts are concentrated in this subregion, in which the crisis of governance manifests itself in the form of elite groups with little orientation to the future, administrative incompetence, endemic

3 New Zealand Ministry of Foreign Affairs: "Key Pacific Issues – Security"; [www.mfat.govt.nz](http://www.mfat.govt.nz) (22 July 2009).

corruption and pronounced tensions within or between different segments of the population. The governments of these states are less and less capable of guaranteeing their citizens public safety and basic services in the areas of education, health care and infrastructure (see ADB 2004a; Rumley et al. 2006).

By the end of the 1980s at the latest, the previously dominant picture of the peaceful South Seas has become a thing of the past. The decade-long civil war on copper-rich Bougainville Island, part of Papua New Guinea, four military coups in Fiji thus far, ethnic violence between militias in various regions in the Solomon Islands (“the first ‘failed state’ in the Pacific,” ADB 2004a: 43), the regional collapse of law and order in the Papua New Guinea highlands, and the numerous mutinies of armed forces have led to increased efforts and military or police interventions by Australia to restore law and order. Internal stability, state and nation building and democratization continue to be central challenges that must be met in each society. Both the Micronesian states linked to the US and the Polynesian countries aligned with New Zealand, with their relative stability and openness to reform, depart from this pattern. Their more positive situation results not only from their status as associates, but also from the (temporary) migration of hundreds of thousands of their citizens to the European-influenced metropolitan powers with which they are linked.

### **3. China’s foreign policy in a state of change**

#### **3.1 Determining factors: Internal policy priority for economic growth and social stability**

The foreign policy of the People’s Republic of China has undergone a dramatic change since the founding of the state and the seizure of power by the Communist Party in 1949. This ranges from engaging in class warfare and propagating world revolution to the building of a “harmonious society” and developing by peaceful means into a global player. Mao Zedong’s foreign policy of supporting the newly independent countries of the Third World was based on the “five principles of peaceful coexistence” introduced with India in 1954. These emphasize respect for territorial integrity and sovereignty, rejection of aggression, non-interference in internal affairs, equal rights, and mutual benefit and peaceful coexistence (Möller 2005). China is still propagating these principles today as a model for the relations of all states with each other.

The forms of interaction in Chinese foreign policy have changed since the establishment of normalized relations with the industrialized states by the then deputy premier, Deng Xiaoping at the beginning of the 1970s. The rejection of multilateral forms of cooperation in favor of bilateral relationships was followed from the end of the Cold War by

constant steps towards integration, which became even more intensive upon joining the World Trade Organization (WTO) in 2001 and membership in a wide variety of regional forums. Since then, the People's Republic has not only achieved substantially greater influence in international relations. It has also openly demonstrated a new self-awareness of its own position and significance which is attempting to reaffirm its historical stature as an Empire after suffering humiliation at the hands of the West in the nineteenth century (Fehlbier 2004). Its increasing proactive worldwide and multilaterally oriented involvement since the Asia crisis of 1997 has tended to replace the doctrine of restraint and self-limitation in foreign policy espoused by Deng Xiaoping and his successors, which was reflected in guidelines for handling international relations: "Calmly observe the situation; secure our footing; cope with changes with confidence; conceal capacities and bide our time; skillfully keep a low profile; avoid sticking [one's] head out; be proactive" (Deng 2008: 41).

Chinese foreign policy and its new orientation can only be understood in terms of developments in domestic policy, where continuing economic modernization enjoys absolute priority. The principle of economic modernization represents the visionary "grand strategy" of China, which, following Zhang/Tang, can be summarized in a single statement: "secure and shape a security, economic, and political environment that is conducive to China concentrating on its economic, social, and political development" (Zhang/Tang 2005: 48). Internal coherence and security are consistent with the desired foreign policy goal of stability.

Deng Xiaoping's assumption that internal development of China would only be possible in a peaceful and stable external environment and with the help of foreign resources led to the development of peaceful and cooperative foreign relations. Accordingly, the foreign policy agenda follows a friendly foreign policy, aims at creating a positive picture of the rising superpower and serves both to secure supplies of raw materials as well as to tap into markets. The foreign policy concept of a "harmonious world," first presented by President Hu Jintao in 2005 on the occasion of the 60th anniversary of the founding of the UN, also serves this goal. The notion that China's reputation and influence in the world should increase gives rise to a worldwide foreign policy based on mutual security and peace, mutual development towards prosperity and harmonious cooperation.

This approach differs considerably from the how international power blocs are perceived, which seen from a Chinese viewpoint is characterized by Western dominance and US superiority. This concept of a harmonious world order is matched in internal affairs by the idea of a "harmonious society" (Bräuner et al. 2008), which would not only make social peace and internal stability possible through the creation of a broad, prosperous middle class but, through the integration of ethnic minorities, would also guarantee national unity (Heberer/Senz 2006). The foreign policy program of peace and stability is also a pillar of Chinese energy security and external trade strategies, and has taken on tremendous importance in the new millennium.

### 3.2 The People's Republic's foreign policy in the South Pacific

Beijing established diplomatic relations with a number of independent developing nations in the South Pacific at an early stage. Contact was established with (West) Samoa and Fiji (1975), Papua New Guinea (1976), Kiribati (1980-2003), Vanuatu (1982), The Federated States of Micronesia (1989), the Cook Islands (1997), Tonga (1998) and Nauru (2002-2005). In November 2007 Niue, a self-governing country in voluntary association with New Zealand, entered into formal diplomatic relations with China.<sup>4</sup>

Despite this, until the mid-1990s the South Pacific was of limited interest to China. Bilateral cooperation between Beijing and the island states was at a correspondingly low level. Taiwan's continuing attempts to receive diplomatic recognition from small countries with voting rights in international organizations were scarcely challenged from the mainland. Since China's growing economic success this has changed (van Fossen 2007). Since then Beijing has been pursuing an intensive policy of rapprochement with the South Pacific states, the purpose of which is to force Taiwan out of the region. This political goal initially far outweighed commercial interests (Sutter 2007).

The establishment of closer ties in the region manifests itself diplomatically in the form of regular bilateral consultation with the governments of the allied South Pacific states. In addition, an active state visits diplomacy can be seen (van Fossen 2007). The beginning was made in December 1998 by the head of government of the Cook Islands, Geoffrey Henry, who was received in Beijing by Vice-Premier Hu Jintao and Prime Minister Zhu Rongji for a one week state visit (Shie 2007).

In 1987 China signed protocols 2 and 3 of the treaty of Rarotonga ("South Pacific Nuclear Free Zone Treaty"), which recognizes the Pacific as a zone free of nuclear weapons. Since 1990 the country has participated as a dialog partner in the annual "Post Forum Partners' Dialogue" of the PIF, which takes place at ministerial level. Beijing's goal is strengthening its friendly and cooperative links to the forum and its member states. During these consultations China has presented its policy vis-à-vis the South Pacific region and promised to apply the principles of mutual respect and advantage, equality and mutual prosperity, and unanimity through consultation.<sup>5</sup>

The People's Republic makes generous financial assistance available to regional organizations. For instance, in 1999 a Chinese cooperative fund totaling US\$ 3 million was established at the forum for projects in all the island states, not just those aligned with Beijing. Most recently, in November 2009 US\$ 850,000 was transferred to the forum secretariat in Fiji, which is solely responsible for these projects.<sup>6</sup> In April 2004 China also

4 Xinhua News Agency, Dec. 13, 2007; [www.china.org.cn/english/international/235447.htm](http://www.china.org.cn/english/international/235447.htm) (29 July 2009). Ministry of Foreign Affairs of the People's Republic of China (2003): *Bilateral Relations*, [www.fmprc.gov.cn](http://www.fmprc.gov.cn) (21 July 2009) and China 2008: 122f.

5 Ministry of Foreign Affairs of the People's Republic of China, 'Pacific Islands Forum,' Dec. 9, 2003; [www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2616/t55904.htm](http://www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2616/t55904.htm) (24 July, 2009).

6 Xinhuanet 5 November 2009: "China donates to Pacific Islands Forum countries."

joined the “South Pacific Tourism Organization” (SPTO) as the first member state from outside the region. Although Beijing demands that its “One-China policy” be applied for PIF summit meetings, which would actually preclude Taipei’s participation in the forums, because of its large number of allied states Taiwan is also represented here. In 2004 Taipei made US\$ 820,000 available to the forum for 33 development projects. The annual payments by Taipei to the regional organizations in the six years preceding 2004 totaled US\$ 3.8 million (cited in Commonwealth of Australia 2006: 180).

The first “China-Pacific Island Countries Economic Development and Cooperation Forum” held in Fiji in April 2006 can be seen as a fundamental new development in China-Pacific relations. Not only the heads of state of the island nations aligned with Beijing attended, but also for the first time China’s prime minister Wen Jiabao, who presented himself as “a true friend” of the Pacific states. Wen promised cooperation from which both sides would emerge as winners. Promotion of friendship and cooperation with the island nations was not a diplomatic calculation but a “strategic decision” (Wen 2006). China could offer, as guaranteed to the partners most recently in 2008, development aid to support the local economies and to raise the people’s living standards.<sup>7</sup> The only condition tied to the support was continued acknowledgement of the “One-China principle” and severing of all relations with Taiwan.

Premier Wen offered the Pacific states not only a pragmatic relationship between equals aimed at mutual benefits and shared prosperity. He also proposed what he considers a successful alternative development path beyond the Washington Consensus (“Beijing Consensus”), which was welcomed by his listeners. This “new model of south-south cooperation” (Wen 2006) was aimed not only at the liberalization and privatization policy of Western financial and development organizations also being pursued in the South Pacific since the 1990s, but also the use of Australian development aid as, as one critic put it, “a carrot and stick to ensure Pacific Islands governments reduce the size of their civil services, privatize, [and] encourage private investment” (Firth 2000: 185). Going beyond this, from the point of view of the governments of numerous island states it offered a practical alternative to the perceived “big brother syndrome” attached to Australia (Commonwealth of Australia 2003: 158).

Wen drew attention not only to the increasing imbalance of a global system that is characterized by a widening gap between north and south as well as rich and poor, but also emphasized that both China as well as the Pacific States are developing nations. He offered an approach based on peaceful coexistence, equality and respect for existing social systems, as well as support for efforts to ensure sovereignty and independence. The promise to give the South Pacific countries development aid without political preconditions applied (“no strings attached”) (Wen 2006) was received with considerable approval.

Beijing and its allied island states finally signed a draft treaty for future cooperation, for which US\$ 375 million in loans at favorable conditions and development aid were to

7 According to the acting Chinese foreign minister at the 20th Post Forum Dialogue Partners’ Plenary in Niue in September 2008 (China Daily 22 August 2008).

be made available, as well as preferential customs status for exports from the less developed Pacific states during the next three years. Representations were also made for the signing of a regional free trade agreement in order to accelerate cooperation in key industries (natural resources, agriculture, and fishing) (Wen 2006). Fiji's head of government, Laisenia Quarase, representing his colleagues in office, emphasized that the historic event reflected a diplomatic and political realignment for the region (China Daily Apr. 5, 2006).

#### **4. China's involvement in the South Pacific: A "win-win" situation or "recolonization by invitation"?<sup>8</sup>**

##### **4.1 Rivalry with Taiwan for diplomatic recognition: "Checkbook diplomacy" and its domestic policy implications**

Upon passage of Resolution 2758 in October 1971, the Republic of Taiwan ("the representatives of Chiang Kai-shek," UN) lost its membership in the UN and its permanent seat in the Security Council to the People's Republic of China. The one time founding member of the UN, Taiwan, which was always regarded by Beijing as an integral part of China and thus as an internal affair, a position which expressed itself in a more or less uncompromising worldwide pursuit of the "One-China principle," has been struggling ever since to escape international isolation. Whereas in 1983 21 countries still recognized Taiwan diplomatically, in 1993 the number climbed to 31, to then sink to the present 23 of the 192 UN Member States, including six South Pacific island states who, with a share of less than 0.15% of the world's population, represent seven percent of UN votes.<sup>9</sup> According to Taylor all Taiwan's partners have "only one thing in common: they are all either extremely small geographically, or economically impoverished. Most are actually both" (Taylor 2002: 127).

Since gaining independence, most South Pacific states have exhibited a long history of diplomatic recognition and change in connection with the two Chinese states. For instance, in 1972 Tonga, the country which has been Taipei's ally the longest in the region, recognized Taiwan, only to realign in 1998 with the People's Republic. Nauru entered into bilateral relations with Taiwan in 1980, reverted to China in 2002, then once again resumed relations with Taipei in 2005. Kiribati was aligned with China from 1980 to 2003,

8 China's prime minister Wen Jiabao (2006) as well as the assessment of the African commentator Fantu Cheru about Sino-African economic relations (cited in Taylor 2009: 64).

9 Van Fossen 2007: 38, Fn. 20. Taiwan's 23 diplomatic allies consist of small and very small states in Latin America and the Caribbean (12), in Africa (4), Europe (Holy See (Vatican City State)) and the South Pacific (Ministry of Foreign Affairs, Republic of China: List of Embassies). [www.mofa.gov.tw/webapp/ct.asp?xItem=69&ctNode=1864&mp=6](http://www.mofa.gov.tw/webapp/ct.asp?xItem=69&ctNode=1864&mp=6) (20 July, 2009).

but at that point switched to an alliance with Taiwan. From 1991 the Marshall Islands were allied with Beijing, but then switched to the rival country in 1998. Palau, which is located the closest to Taiwan geographically, intensified its relations with Taipei, and finally recognized it in 1999. Thus far, only Tuvalu (1979) and the Solomon Islands (1983) have remained loyal allies with Taiwan.<sup>10</sup>

The rivalry for diplomatic recognition, which also seeks to gain support when voting takes place within international organizations, can work in favor of or be disadvantageous to developing nations. To the former belong (from the perspective of the recipient) the goodwill of an economic superpower, financial payments, and support for development cooperation as well as the cancellation of debt and trade facilitations. By contrast, military cooperation and arms supplied by China or Taiwan have played no role in the region until now because only Fiji, Papua New Guinea and Tonga have a standing army. The negative aspects of the competition include covert influence brought to bear on political leaders, representing concealed intervention in the internal affairs of foreign countries. That such actions do not even stop at bribery of people and parties during parliamentary election campaigns is demonstrated by Fiji, Kiribati, Nauru, the Solomon Islands and Vanuatu.<sup>11</sup>

As in the case of China in Kiribati and Palau, countries which switched over to alignment with Taiwan, there is also organization of antigovernment protests and demonstrations, as well as efforts which have been pursued for years to incite anti-Taiwan sentiment through donations to cooperative politicians. Between 1998 and 2003, in the Solomon Islands, which recognized Taiwan and where there was scarcely any national government in existence due to ethnic violence, China established competing relations with one province (Guadalcanal). Taiwan, by contrast, gave the central government US\$ 25 million in 2001 as compensation for the victims of ethnic violence, funds which eventually landed in the pockets of politicians, military leaders and disloyal police officers.<sup>12</sup>

In economic crises or where states are on the brink of bankruptcy, the intervention of the two Chinese states has also proved to be very promising, as the cases of the Marshall Islands (1998), Papua New Guinea (1999), the Solomons (2000) and Nauru (2000 and 2005) show. The countries of Papua New Guinea, the Solomon Islands and Vanuatu also show, however, that switching alignment can be avoided through a significant increase in financial support. That it is perfectly possible for the pressure of demands to become too great and yield no results is shown by Nauru and Vanuatu. However, the economic interests of local elite groups are also important, as the examples of Tonga (1998), Kiribati (2003) and Vanuatu (2004) show. Efforts to bring about a diplomatic switch through fi-

10 Ministry of Foreign Affairs of the People's Republic of China (2003): *Bilateral Relations* (cf. Fn. 4) and Ministry of Foreign Affairs, Republic of China: *List of Embassies*.

11 For instance, the chairman of the Labor Party of the Solomons declared, in connection with the parliamentary elections of 2006: "It is very shocking to observe that the Republic of Taiwan is now acting like a local political party, sponsoring candidates – including in my own electorate – involving itself directly in the business of Solomon Islands politics" (cited in Dobell 2007: 11).

12 See Wesley-Smith 2007, ABC News 22 June 2008: "Strings attached: China's Pacific aid under spotlight."

nancial grants are generally aimed at the elite groups of the island states. This is especially true in cases where local Chinese minorities have considerable political influence. This is the case in Fiji, Kiribati, the Marshall Islands, Palau, Papua New Guinea, the Solomon Islands and Tonga (van Fossen 2007).

This covert intervention with the goal of maintaining or switching diplomatic recognition fundamentally contradicts Beijing's universally proclaimed foreign policy principle of non-interference in the internal affairs of other states. In view of their limited human resources (the combining of the offices of president and prime minister is not uncommon in the small States), small national budgets and high dependency on development aid, it is no surprise that critics of "dollar diplomacy" or checkbook diplomacy" assume that the impact at the local level can be tremendous after only minor spending efforts: "We found this in the Solomons, where governments are totally disoriented – in fact just about destroyed – by interventions of this kind. You can disorient a government in the Pacific Islands with a very limited amount of money – just a few bribes to the right people at the top and you have undermined the whole governing system."<sup>13</sup>

Further negative consequences include differences of opinion between the island states, regional fallout and group pressure in regional organizations. For instance, in 2006 only five months after China's celebrated Pacific summit Taiwan reacted with the first "Taiwan-Pacific Allies Summit" in the very small Micronesian State of Palau. In attendance was, in addition to the heads of state of the six aligned countries, Taiwan's President Chen Shui-bian.<sup>14</sup> "Checkbook diplomacy" has proven to be destructive, especially in the sovereign States of Melanesia. It destabilizes weak and unstable governments and, because of inadequate or non-existent institutionalized "checks and balances," feeds endemic corruption. Its influence corrupts domestic policy processes because of largely absent public controls, devalues parliamentary elections and reduces the legitimacy of political players. This is particularly true of Kiribati, Nauru, Papua New Guinea and Vanuatu.<sup>15</sup>

What until now has been the most recent "Taiwan dollar diplomacy scandal" struck Papua New Guinea in March, 2008. The media uncovered attempts by two Taiwanese intermediaries to persuade members of the government to recognize Taiwan involving US\$ 29.5 million in inducements. Whereas the suspected bribery had no legal or other consequences in Papua New Guinea, Taiwan's deputy premier, Chiou I-jen, was forced to resign under suspicion of corruption. One of the two lobbyists was sentenced to 28 months jail by the Taiwan Supreme Court in May, 2009.<sup>16</sup> Already in July, 1999 Papua New Guinea Prime Minister Bill Skate had recognized Taiwan in an act of despair. After the country had nearly gone bankrupt and the whole government apparatus was internationally discredited on account of its corruption, the head of government had changed

13 Stuart Harris cited in Commonwealth of Australia 2006: 173.

14 See [marshall.wetserver.net/livefiles/1sttaiwan-pacificalliessummitpalaudeclaration,2006\\_documents\\_30.pdf](http://marshall.wetserver.net/livefiles/1sttaiwan-pacificalliessummitpalaudeclaration,2006_documents_30.pdf) (21 July 2009).

15 Hughes 2004. Where not otherwise indicated, case studies for individual countries were taken from Dobell 2007, Shie 2007, van Fossen 2007, Commonwealth of Australia 2006 and Henderson 2001.

16 The Washington Post 6 May 2008, PNG Post-Courier 25 May 2009.

sides in exchange for a financial commitment totaling US\$ 2.35 billion from Taipei. Only two days later the prime minister was voted out of office by a no-confidence motion, and the “one China policy” restored (Seib 2000).

That in the case of Chinese involvement, as was similarly the case in Africa and Asia, human rights and democratic principles are not assigned a high degree of importance, whereas support of questionable regimes and notorious autocrats by contrast is, is evidenced by the Fiji Islands. The fourth coup in 2006 and the refusal to hold parliamentary elections before 2014 led to withdrawal and imposition of sanctions by Western countries. Whereupon the military regime turned for help to its ally of many years, China. Beijing agreed at once to provide financial support, because “the political situation is an internal matter for the country” (cited in Congressional Research Service 2008: 37). In 2008 Beijing finally provided a loan of US\$ 83.1 million at a favorable interest rate (Hanson 2009).

The cases presented here show that competition between Taiwan and China for the diplomatic loyalty of the sovereign Pacific states not only contributes to the problems of the Pacific States, but exacerbates them even when it has not caused them. This competition undermines the efforts of Western donor states to raise regional governance standards such as human rights, democracy and fighting corruption. The counterproductive “checkbook diplomacy” of both Chinese states has been criticized by New Zealand and to a lesser extent Australia.<sup>17</sup> However, no consequences have followed. Canberra has even been involved on the side of China in numerous cases. For instance, the diplomatic pressure of the Western “friends of Papua New Guinea,” under the leadership of Australia, led in 1999 to the rapid return of the country to China (Seib 2000). In Vanuatu, too, Australia took on the leading role in supporting China in 2004. Canberra successfully threatened to halve its annual development aid (Shie 2007: 319). In Kiribati Australia’s pressure in 2004 to return to Chinese alliance status was unsuccessful because US President Bush supported recognition of Taiwan.

That the “struggle” between China and Taiwan (as Australia’s prime minister John Howard put it)<sup>18</sup> has intensified since 2006 and is becoming harder and harder to finance for Taiwan is confirmed by Taipei’s Pacific partners at the Post PIF Summit in the Australian city of Cairns in August 2009. The six states expressed their concern that Taipei’s financial support was decreasing, however without this action creating doubt about their loyalty to Taiwan (Radio Australia 10 August 2009). As early as 2006 Taiwan’s China Post commented critically about the competitive situation, which was becoming too expensive for Taipei.<sup>19</sup>

An unexpected breakthrough came in May 2008 when Kuomintang member, Ma Ying-jeou took office as president of Taiwan and instead of the previous confrontational policy of national independence is now seeking rapprochement with China, a policy that has already borne fruit in bilateral relations between the two countries. The result of this

17 For New Zealand see *Islands Business*, May, 2006, for Australia see Sutter 2007: 285.

18 Cited in the *Herald Sun* 2 January 2007.

19 See *The China Post* 10 August 2006: “Taipei faces challenge in seeking foreign recognition.”

fundamental change of policy with regard to the mainland is not only the unilaterally declared diplomatic truce of May, 2008.<sup>20</sup> In June, 2009 both Taiwan's deputy foreign minister, Andrew Hsia, and the leader of the delegation from the Chinese Foreign Ministry, Wang Yongqiu, declared on the occasion of the Forum Dialog in Cairns that check-book diplomacy is a thing of the past. The significant improvement in relations between the two states has led to the "tactical agreement" between them to stop attempting to court allies away from the other.<sup>21</sup>

#### **4.2 Development cooperation: From conflict-oriented competition to multilateral cooperation?**

The competition with Taiwan for diplomatic recognition and the growing involvement of China in the region have led since 2006 to a rapid increase in financial support in connection with development cooperation (DC). Whereas in 2005 Beijing provided US\$ 33 million in aid, by 2007 it was already US\$293 million earmarked for its seven South Pacific partners (Commonwealth of Australia 2006; Hanson 2008); in 2008, however, there was a reduction of total aid from Beijing to US\$206 million. This breaks down into subsidies totaling US\$53 million and low-interest loans of US\$153 million (Hanson 2009: 3). Official statistics on China's DC do not exist, as these are considered a state secret. Estimates of the total Chinese DC budget for 2007 were US\$ 1.4 billion (Hanson 2008). The recipient countries also provide neither program plans nor evidence of what they have achieved. China is not a member of the "Organisation for Economic Cooperation and Development" (OECD), and therefore not subject to the guidelines of the "Development Assistance Committee" (DAC) on public development aid (PDA), although since October, 2008 it has had observer status in the DAC (Hanson 2009).

Beijing's development grants are for the most part bilateral. They frequently involve highly visible prestige projects. For instance, the construction of a parliament complex in Vanuatu, a government building in Samoa, a new foreign ministry in Papua New Guinea, conference centers, school buildings and sports stadiums in Fiji, Palau, Papua New Guinea, Samoa, Tonga and the Cook Islands. In addition there is the provision of teachers, sporting coaches and medical teams to work in the islands and scholarship awards for completing university studies in China. The greater part of the DC is focused on the three areas of construction projects, forgiveness of debt and humanitarian aid.

China does not see itself as a donor nation in the sense of the OECD, but speaks of south-south cooperation between equals, to which performance linked conditions are unknown. China's involvement is highly welcome in the island states, because according to Beijing's statement it is not linked to preconditions, a practice that is the rule among Western donor countries. Chinese aid offers the island states the opportunity to diversify

20 See Godehardt et al. 2009, Reuters 18 February 2009.

21 The Australian 10 August 2009: "China and Taiwan end war over Pacific aid."

their development cooperation beyond Western bilateral and multilateral partners. In addition, Chinese support is seen as a means of applying pressure to avoid Western conditions requiring good and responsible government as well as fighting corruption. As an “emerging donor” China thus represents an alternative to Western-oriented donor-recipient structures.

**Table 2: Sources of development aid (OECD) to the South Pacific States (2007)**

Development partner	Net ODA (millions of US\$)	% of total aid
Australia	649.3	55.7
Canada	8.2	0.7
Japan	70.3	6.0
New Zealand	120.9	10.4
US	171.7	14.7
EU	93.6	8.0
<i>of which</i>		
<i>France</i>	16.7	1.4
<i>United Kingdom</i>	5.4	0.5
other bilateral aid	2.5	0.2
International financial organizations	9.9	0.8
UN and other multilateral organizations	28.8	2.5
Total	1,165.9	100.0

Source: Commonwealth of Australia 2009: 42

In addition to the People’s Republic and Taiwan there are a number of other bilateral and multilateral donors active in the South Pacific. In 2007 public development aid from the States which report to the OECD totaled US\$ 1.166 million, distributed across a population of eight million (see Tables 3 and 4). Between 2001 and 2007 the total amount remained relatively stable. The recipients received on average US\$ 137 per capita, more development aid than any other region in the world (followed by Africa with US\$ 47) (OECD 2009: 3; Commonwealth of Australia 2009: 41). Compared with other donor nations, China’s development aid to the South Pacific is larger than New Zealand’s contribution, but far smaller than that of Australia, which is almost US\$ 650 million. These are followed by the US, 90% of whose development aid goes to the Federated States of Micronesia, Palau and the Marshall Islands, as well as New Zealand and Japan. The EU is the largest multilateral partner.<sup>22</sup> The Asian Development Bank, the World Bank and UN organizations also provide substantial support.

22 The EU committed US\$267 million in development aid for the period 2008-2013. According to development commissioner Louis Michel, half of this is to ensure that “the Pacific States come a little nearer to Europe.” (EC, Brussels 18 October 2007; [europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1552&format=HTML&engaged=0&language=DE&guiLanguage=en](http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1552&format=HTML&engaged=0&language=DE&guiLanguage=en) (15 July 2009).

**Table 3: Development aid to the South Pacific states (2007)**

	<b>Net ODA US\$ million</b>	<b>ODA per capita in US\$</b>	<b>ODA (as a % of GDP)</b>
<b>Melanesia</b>			
Fiji	57.5	69	2
Papua New Guinea	320.9	51	5
Solomon Islands	246.1	497	63
Vanuatu	56.7	251	13
<b>Polynesia</b>			
Cook Islands	9.3	461	4
Niue	14.8	5,514	88
Samoa	37.5	207	7
Tonga	3.9	302	12
Tuvalu	11.7	1,197	44
<b>Micronesia</b>			
Federated States of Micronesia	114.9	1,035	49
Kiribati	27.1	285	35
Marshall Islands	52.1	894	35
Nauru	25.6	2,912	113
Palau	22.3	1108	14
<b>Regional aid</b>	138.7	NA	NA
<b>Total Pacific aid</b>	1,165.9	136	9

Source: Commonwealth of Australia 2009: 41

If the financial support that is not subsumed under the ODA is factored in, i.e., the US's subsidies of more than US\$ 1.5 billion and US\$ 1 billion to the Federated States of Micronesia and the Marshall Islands from 1987-2003 (Lum/Vaughn 2007: 6) and France's financial support for French Polynesia in 2006 totaling US\$ 1.87 billion,<sup>23</sup> the result is an overwhelming volume of aid from the Western donor community. In view of what is easily well over US\$ 20 billion of official development aid which have been made available since 1970, the success rate, however, proves to be unsatisfactory to poor. Apart from the current boom in raw materials, neither sustainable economic growth has been achieved nor has progress been made towards Millennium Development Goals. If anything, over the past decade poverty has increased, particularly in the Melanesian states with a large surface area.<sup>24</sup>

Criticism of China's DC is extensive and constantly recurring. It comes from the ODA member states that are active in the region as well as non-governmental organizations (NGO) and is related to costs, quality, sustainability and reduction of poverty (Sutter

23 Oceania Flash, 9 August 2006.

24 Asian Development Bank 2004a: ix, 2004b, Commonwealth of Australia 2009.

2007). Criticism specifically points out China's lack not only of a coherent strategy for its aid program, but also says that the rationale behind project selection is not obvious and pursues only short-term goals. Commitments from Beijing are announced at irregular intervals, which do not allow any project planning with the recipient state. The projects are often unsuitable for local conditions in the small states and take no account of operating, maintenance and repair costs, making their sustainability correspondingly doubtful. For example, Samoa received a US\$ 12.9 million swimming pool complex whose operating and maintenance costs would have, as one observer commented, been a financial challenge even for OECD member New Zealand (Hanson 2009: 5). Nonexistent bilateral agreements led to a newly built police and courts building in the Cook Islands being handed over with Mandarin-language user signage. A television tower erected on Niue was unusable from the very beginning because of the local tropical conditions (Hanson 2008).

In addition, direct follow-up costs associated with projects are not included. For instance, the new student dormitory building for the University of Vudal in Papua New Guinea, erected by China at a cost of 23 million Kina, has remained unused until now because the government cannot provide 1.2 million Kina (US\$ 420,000) for furnishing and fittings (National 1 December 2008). China's practice of withdrawing from a project once it has been completed has not been the only aspect criticized, but also China's practice of importing the design, architectural preparation, building materials and construction workers from the Chinese mainland. One of the conditions for the authorization of low interest credits, which are only given from US\$ 2.4 million (¥20 million), is, according to the Chinese export-import bank "Eximbank," that "Chinese enterprises should be selected as contractor/exporter" and "equipment, materials, technology or services needed for the project should be procured from China ahead of other countries. In principle, no less than 50% of the procurements shall come from China."<sup>25</sup> Review and final acceptance of construction projects, for instance by architects, does not take place. The essentially commercial nature of Chinese development cooperation is also expressed in the fact that no special institution with development policy expertise is responsible for it. The granting of bilateral support lies exclusively in the hands of the Chinese Ministry of Foreign Trade (Ministry of Commerce, MOFCOM). Whereas MOFCOM coordinates DC in specific countries and oversees development projects, the Foreign Ministry is responsible for budget planning for Chinese development aid (Hofmann 2006: 5).

By hiring workers from mainland China for projects, no jobs are created in local economies. A report from Tonga states in this regard: "The real beneficiaries are actually the Chinese, because they have secured an agreement to provide all materials, labour, engineering and all necessary supplies for the construction. China will also receive the funds so no tangible financial exchange takes place. All funds will remain in China and all Tonga will get is the end product in the form of bricks and mortar" (BBC 21 April 2008). However, whereas criticism of Australia and other Western nations for their "boomerang aid" is a constant topic of public discussion – the grievance is that a substantial portion of

25 See China Eximbank [www.china-power-contractor.com/index.files/Page1952.htm](http://www.china-power-contractor.com/index.files/Page1952.htm) (9 September 2009).

the development aid flows back into the industrialized countries for consultancies – this criticism has not been made of China until now.

A final criticism is the generous granting of low interest loans which bears no relationship to economic performance and in the case of several small states has already led to vast debt accumulation. For example, the Cook Islands, with a population of only 21,000 received a loan of US\$ 9.6 million to build sports arenas. In responding to the interview question of how the money would be repaid, the deputy premier of the country, Sir Terepai Maoate, expressed the hope that “New Zealand will be at our aid to assist us with this” (cited in Hanson 2009: 6). Further examples are Tonga, which in 2007 received a Chinese loan of US\$ 56 million, which amounted to 22% of its GDP,<sup>26</sup> and Palau, which has piled up an estimated US\$ 100 million in accumulated *soft loans*, but nonetheless was offered a further low-interest loan of US\$ 40 million (24% of its GDP) in 2009.<sup>27</sup> It can be said in China’s favor in the Pacific that, unlike infrastructure measures in Asia and Africa, major projects pursued have no dual use character, i.e., a potential for future military use can be ruled out. Strategic implications for China in the future cannot be recognized here (Wesley-Smith 2007, Shie 2007).

Taiwan has been criticized even more strongly because it is even less transparent than China in its practices. During the past decade the country has increased its aid to developing countries from US\$ 42 million (1996) to US\$ 421 million (2006) (Chan 2008). In 2008 this figure rose to US\$ 430 million (Ministry of Foreign Affairs Republic of Taiwan 2009). An unspecified portion of this aid, estimates varying between US\$ 100 and US\$ 150 million, goes to the six allied Pacific states. Only 15% of this aid is officially accountable for as part of the “International Cooperation and Development Fund.” The remainder of the money is distributed by the foreign ministry without any public scrutiny whatsoever. This policy is supposed to ensure that no information can be used by its mainland rival (Dobell 2007, D’Arcy 2007). Large-scale projects such as the convention center on the Marshall Islands, built with Taiwanese companies, workers, and materials have come under scrutiny.

DC by China and Taiwan has been criticized in the past by Australia and the EU in particular, who reject its use as a foreign policy instrument.<sup>28</sup> For example an Australian Senate report expressed concern that China and Taiwan’s pursuit of political agendas was hindering development rather than promoting it: “Without appropriate safeguards, aid assistance may not be directed to where it is most needed; it may find its way into the hands of local politicians, officials, or other improper beneficiaries. Serious corruption or political unrest can also occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition” (Commonwealth of Australia 2006: 179). In contrast to this, what is being called for is responsible use of aid which should be oriented to the OECD goal of economic development and the welfare of the partner country. Many NGOs criticize China’s

26 Post-Courier 22 October 2007: “Beijing to give ‘allies’ soft loan.”

27 Lum/Vaughn 2007: CRS-17, Palau Horizon 5 August 2009.

28 I.e., see AsiaPulse News 27 April 2006: “Aust Minister warns China, Taiwan against meddling in Pacific,” Medeiros et al. 2008: 219.

lack of interest, as they see it, in sustainable economic development, reduction of poverty and elimination of corruption. What is insisted on in regard to China are the OECD guidelines, which call for consistent application of mechanisms “to ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations” (OECD 2001: 11).

Since 2006 there have also been joint efforts by Australia and the World Bank to harmonize development aid among the donor countries in the region. Both China and Taiwan are being urged in bilateral dialog to make their development aid more open and transparent, as well as more cooperative and efficient.<sup>29</sup> It is true that in 2008 China recognized the “Kavieng Declaration on Aid Effectiveness” with seven further donor countries in Papua New Guinea, but refuses nonetheless to make public its development cooperation with other states. In a statement given in August 2009 in Cairns (The Australian 10 August 2009), a representative of China’s foreign ministry commented tersely that it is not necessary to accept these multilateral coordination mechanisms. The Declaration of Kavieng aims not only to apply the “Paris Declaration on Aid Effectiveness” from 2005, which strengthens or calls for recipient countries to assume more responsibility themselves, more effective management and mutual legal responsibility, but also places an obligation on donor countries to make use of “performance assessment frameworks” and to provide information about aid flows and program intentions in an up-to-date, transparent and comprehensive manner.<sup>30</sup>

Finally, in May 2009 Taiwan published a white paper on development aid which rejects its own “dollar diplomacy” in the future. Instead, the goal of sustainable development cooperation will be pursued (Ministry of Foreign Affairs Republic of Taiwan 2009: 5). This step is a result of the rapprochement policy of Taiwan towards Beijing mentioned above which was begun with the election of President Ma. Whether the visible reduction in Chinese DC in 2008 can be attributed to the reduced incentives for diplomatic competition or not remains uncertain. What is certain is that the “truce” that has been called between China and Taiwan offers Taipeh the chance to refocus its development cooperation on long term development results and to intensify cooperation with international donors. What is needed are cooperation agreements over the medium- and long-term, more conservative behavior on the part of the island states in accepting loans and, not least, employment of local workers, which would could be achieved if this were demanded by the Pacific states as a unified group. The last point in particular would significantly improve China’s reputation in the region, and would more closely reflect their goal of supporting local economies and improving the living conditions of their people.

29 Island Business May 2006, Commonwealth of Australia 2006, Radio Australia 21 June 2009.

30 Kavieng Declaration on Aid Effectiveness: a Joint Commitment on Principles and Actions between the Government of Papua New Guinea and Development Partners, 15 February 2008, p. 6; The seven DC partners are Australia, New Zealand, Japan, the Asian Development Bank, the EU, the World Bank and the UN. See [www.aidharmonization.org/download/257013/KaviengDeclarationonAidEffectiveness.pdf](http://www.aidharmonization.org/download/257013/KaviengDeclarationonAidEffectiveness.pdf) (8 September 2009).

### 4.3 Extent and quality of economic cooperation

Although Europe, the US, Japan and Australia were the dominant economic players in the region for centuries, today investment originating in Asia exceeds investment by Europeans in the primary sector (fishing, forestry and agriculture), in processing industries, in trade and in the hotel industry (most tourists in the South Pacific now come from Asia). By contrast, mining, telecommunications and banking are still in European, Japanese or American hands. From the beginning of the 1970s, the leading economic power was Japan, which was challenged two decades later by the emerging newly industrialized countries such as Taiwan and South Korea. Today all three countries have to hold their ground against China's emergence, which supplies the majority of mass produced goods in the island states, while Japan is still the leading supplier of hi-tech products. Europe, but Australia too, have largely been forced into the background here, which is not least of all demonstrated by the takeover of the Australian conglomerates which dominated island trade for over a century. For instance, Carpenter, Burns Philp and Steamships Trading had already been sold to investors in Malaysia, Japan and Hong Kong by the 1990s (Cromcombe 2007a).

**Table 4: Trade (exports and imports) of the South Pacific states in 2007 (in millions of US\$)**

	World	Australia	Japan	China	EU	New Zealand	US
Fiji	2,570	439	85	72	179	323	206
Kiribati	101	27	8	17	3	5	3
Nauru	77	23	1	0	3	0	9
Palau	–	1	30	1	–	0	0
PNG	10,386	3,545	872	660	668	152	177
Samoa	509	106	24	13	6	79	24
Solomons	661	91	34	177	32	16	8
Tonga	179	12	7	8	5	46	21
Tuvalo	58	4	18	7	1	2	0
Vanuatu	591	68	37	23	17	37	27
Total	15,133	4,315	1,115	978	914	660	474

Source: Hanson 2009: A2-i

In the South Pacific, China has advanced in only a few years from its previous role as a minor player to that of a key player, even if, with only one thousandth of the global Chinese trade volume of US\$ 2,173 billion (2007), the economic involvement of Beijing in the region is moderate (WTO 2009). Australia, Japan and the EU have so far been able to maintain their strong subregional presence as trade partners of the island states, for which mining in particular is responsible (see Table 4). Although Henderson/Reilly estimated that by 2003 there were already 3,000 state-run or private Chinese companies in the re-

gion,<sup>31</sup> at the end of 2005 the Chinese Ministry of Trade was able to confirm only 70 corporations with total investment of US\$ 110 million for the Pacific region.<sup>32</sup> The governments of the largest island states, Papua New Guinea, Solomon Islands and Fiji, welcomed China's trading relationships and investments (as well as those by other east and south-east Asian states) as part of their foreign economic policy of diversification of their trade partners (the "look north policy"), with Papua New Guinea already pursuing this, starting in the mid-1990s. These relationships are seen as historically untainted by the colonial past and other resulting conflicts.

Today, apart from its neighbor Australia, Papua New Guinea is Beijing's most important regional foreign-trade partner. On its own this country accounts for two thirds of Chinese-Pacific trade volume. Beijing's goal are the major, still largely untouched, sources of mineral resources, which could supply China's hunger for raw materials.<sup>33</sup> Because of the continually climbing exports in the timber and fishing sectors, both the Solomon Islands and also Papua New Guinea have large trade surpluses with the People's Republic. In the mining sector Chinese investment includes the now 1.4 billion USD Ramu nickel-cobalt mine, which the state-owned "China Metallurgical Construction Corporation" (CMCC) is currently constructing in Papua New Guinea. For an 85% share of the project CMCC is financing the entire project, managing the production plant and buying the end product for the estimated life of the project of 40 years.<sup>34</sup> In 2006 China and Papua New Guinea also signed an agreement on further Chinese exploration projects for gold, copper, chrome, magnesium and other minerals.<sup>35</sup> That China is still only one of many international investors is shown by a liquefied natural gas project amounting to US\$ 16 billion which the American oil corporation ExxonMobil is planning.

However, it is not just Chinese companies that are becoming increasingly active in the South Pacific, but primarily Chinese migrants and migrants of Chinese origin, who control in particular wholesale and retail trade and the service sector: "China's newly expanded business interests range from multi-million dollar mining ventures to tiny restaurants and grocery stores set up by poor settlers, many of them illegal immigrants whose passports and visas are bought from corrupt officials".<sup>36</sup> Whereas from the 1990s it was people of Chinese origin from Malaysia, Hong Kong, Taiwan, Singapore and Indonesia, since the beginning of the present millennium it has been mainland Chinese who have comprised the new citizens of the island states as well as the great majority of illegal immigrants. The number of Chinese in the region today is estimated at 80,000 to 200,000 or

31 Henderson/Reilly 2003: 9. Remarkably, the figures of the Australian government were taken over without comment (Commonwealth of Australia 2006: 175).

32 Zhang 2007: 4. A police investigation completed on Fiji at the end of the 1990s on Chinese investment revealed "most firms to be no more than paper companies and likely guises for a people-smuggling racket with Australia as the end destination" (cited in Dobell 2007: 6).

33 Chin 2008: 123 provides an overview of Chinese investment in Papua New Guinea.

34 PNG Post-Courier 10 February 2004 and 27 May 2009.

35 The National of 18 January 2006: "China to explore PNG for minerals."

36 Crocombe cited in Squires 2005: no page given.

between 1% and 3% of the total population of the Pacific, which, however, only encompasses a fraction of the well over 30 million expatriate Chinese. Statistically no distinction is made according to their origins (mainland or diaspora) (see Hanson 2008; D'Arcy/Nelson 2007).

The continuing stream of Chinese migrants can be largely attributed to the failure to enforce immigration laws as government agencies have looked on without taking action and also to the endemic corruption in government departments.<sup>37</sup> This influx of migrant Chinese is altering the local economic structures of the island states. Not only are local people, who cannot compete with the work ethic and the international network of Chinese business people, being driven out of business. The Chinese are also penetrating areas of activity and economic sectors which have been reserved by law for locals as a support measure since the withdrawal of the colonial powers. The streams of migrants are of even greater significance in the smaller and less populated island states than they are in Papua New Guinea. Thus, in American Samoa Asians now control 80% of businesses. In Tonga more than 70% of total trade in goods is carried out by Chinese. In the business world of Fiji, Chinese and Koreans are replacing citizens of Indian origin who since the last military coup in 2006 have been fleeing abroad (Crocombe 2007a; Lintner 2007).

The uncontrolled entry of mainland Chinese has also enormously increased organized crime. In the foreground is smuggling: "drugs, weapons and illegal immigrants, money laundering, fraud, extortion, forced prostitution, and other activities are easy in Pacific Islands countries that cannot afford extensive police and other protective services" (Crocombe 2007b: 28). Even death threats against politicians and partial infiltration of the police are no longer unusual today, especially in Papua New Guinea.<sup>38</sup>

Up until now, the growing economic involvement of China in Third World countries has been discussed above all in terms of the example of Africa with particular reference to the question of "who benefits" (see for example Asche 2008; Dieter 2008). Assessments carried out in a local context range from a highly positive history for Africa (Besada et al. 2008: 4), strengthened by the World Bank, which sees in the growing south-south trade of China (and India) significant opportunity for growth and the integration of the sub-Saharan continent into the global economy (Broadman 2007: 1), to skeptical voices which, like South Africa's former President Thabo Mbeki, warn against a new colonial relationship of Africa to China.<sup>39</sup> In the South Pacific too, the "mutual-winner" cooperation offered by China's Prime Minister Wen appears to be more than unrealistic, as Beijing's self-interests stand in the foreground.

37 C.f. PNG National of 13 July 2009: "People crossing border [from Indonesia] in broad daylight."

38 Sydney Morning Herald 19 February 2005: "Chinese gangs in the Pacific now real regional threat," The Age 19 February 2005: "Mafia, corrupt police cripple PNG" and New Zealand Listener 7 May 2005: "Crime and corruption."

39 According to Mbeki, as a raw materials depot for China, Africa is "condemned to underdevelopment. There is a danger that a relationship will be built up with China that repeats colonial dependencies". Cited in SpiegelOnline 16 January 2007: "Weapons, oil, dirty deals – how China is driving the West out of Africa".

China's economic concentration, as well as that of other Western corporations, on obtaining raw materials generates economic growth and income for the state, it is true, but it cannot be equated per se with sustainable development. This is demonstrated in the region by the two lost decades of the raw materials boom of the 1980s and 1990s. Inadequate political responsibility and insufficient transparency, administrative mismanagement and neglect, as well as corrupt structures have led to failure to observe national development strategies for overcoming poverty. These internal structures cannot be blamed on Beijing, it is true, but they are strengthened and deepened by the activities of the two Chinese states.

The special features of Chinese corporations can be documented with the example of the Ramu nickel mine in Papua New Guinea. As with Western companies too, regulatory approval criteria related to the environment play a subordinate role there. Whereas, however, European companies have at least acknowledged international work safety standards as well as prospects for the local population to gain jobs and be given participation – more than 90% of all jobs in mining have gone to locals – mirroring conditions back in mainland China, Chinese working conditions have proved to be catastrophic for employees. The consequence is continuing and violent conflicts, which characterized the working climate in the mine even before the start of production.<sup>40</sup> Even more significant is that Chinese corporations like CMCC recruit a substantial portion of workers from China, with the result that job opportunities and spin-off advantages for locals, even for low level activities, are lost – an important factor in a country with high population growth and a high rate of unemployment.

The Papua New Guinea Ministry of Labor and Industry has now confirmed that the corporation was exempted from adhering to all relevant laws in Papua New Guinea based on an agreement with the highest levels of government in Port Moresby – a first in the country's history.<sup>41</sup> Governments in the Pacific are thus adopting Chinese investment practices which have already been tested in Africa and were formulated in the following way by a representative of Sierra Leone in Beijing: "We like Chinese investment because we have one meeting, we discuss what they want to do, and then they just do it. There are no benchmarks and preconditions, no environmental impact assessment."<sup>42</sup> Not only is equal treatment with other foreign investors, which continue to be bound by existing laws, infringed upon, but the rule of law is undermined by this kind of opaque dealing at the highest level of government. In contrast to the Chinese involvement, the countries associated with the US offer the best work and occupational safety conditions in the South Pacific (Crocombe 2007a: 198).

The economic involvement of China, but also of other south and southeast Asian countries (Taiwan, Korea, Japan and the Philippines), has suffered significant losses to its reputation in the region. At the center of the criticism are uncontrolled overharvesting by

40 See Radio Australia 26 July 2009.

41 See Post-Courier 22 May 2009: "Government gives special treat for Chinese."

42 According to Sierra Leone's ambassador in Beijing (cited in Manji/Marks 2007: 39).

its own fleets (China today has the world's largest fishing fleet)<sup>43</sup>, the many years of resistance by Taiwan to prohibition of driftnet fishing and low-end prices for the fish quotas, which it was not possible to generally increase even by uniting as a "Fisheries Agency" group within the Pacific Islands Forum. In only two decades the US fleets have transformed themselves from being seen as the despised "bad guys" to the most popular, because they are the best paying customers (Crocombe 2007a: 129). To this can be added the widespread illegal felling of rainforest trees for which Chinese companies or Malaysia-based companies of Chinese origin are responsible. The People's Republic has advanced in only a few years to be the most important importer and processor of wood in the Asia-Pacific area. In the two Indonesian provinces of West Papua alone, illegal Chinese timber exports are estimated to be US\$ 1 billion a year.

In Papua New Guinea, after years of conflict with the government, in 2005 the World Bank gave up its efforts to reform the forestry industry through transparent, corruption-resistant and sustainable conditions in the interest of the local forest owners. Similar steps have also failed in the Solomon Islands.<sup>44</sup> Although the inhabitants of the independent island nations were still better off economically than the neighboring east and southeast Asian countries at the beginning of the 1990s, with the continuing growth of Asia their relative status has been reversed. The gap between the prosperous Asian and the stagnating South Pacific economies is increasing rapidly. The economies of the island nations, which are based on a low level of development, are not in a position to compete with either the competitive Chinese producers of industrial goods or the highly productive agricultural producers of Australia and New Zealand. Added to this is the global pressure for liberalization of import regimes as well as for competition among global markets. The result is the flooding of local markets with cheap goods with which the countries cannot compete – the rapid Asianization of the island economies which is observable on all sides. The dominance of the Asian countries in the work-intensive sector makes the development of an economically viable industrial base much more difficult than it used to be, and increases the danger of further economic marginalization (*ibid.*).

Added to this are the economic risks associated with the resources boom, although these cannot be blamed on either China or European corporations. This applies in particular to the so-called "Dutch disease," in which the rise in the exchange rate associated with the boom and a corresponding increase in the cost of labor and capital can undermine other sectors of the economy all the way to insignificance.<sup>45</sup> Also problematic is the high government revenues, which in the absence of adequate controls can be misappropriated or simply stolen by the elite political class, a problem that applies above all to the

43 Crocombe 2007a: 244, Hanson 2008: 5. According to international organizations, in 2008 the value of the tuna catch in the South Pacific, which constitutes 55% of the worldwide catch, was more than US\$3.8 billion, from which the eight signatory states to the Nauru Agreement of the Fisheries Agency of the Pacific Islands Forum received just US\$60 million in revenues or 1.6% of the South Pacific total (Pacific Islands Report 4 August 2009).

44 For West Papua Crocombe 2007a: 184, for Papua New Guinea Forest Trends 2006 and for the Solomon Islands Moore 2008.

45 See this discussion in the African context in Asche 2008: 172 and Dieter 2008: 16.

Melanesian states and is reflected in corruption and stagnating poverty figures (Australian Government/AusAID 2009, ADB 2004b). It is clearly evident that turbulent times can be expected in the South Pacific if there is no success in reducing unemployment and improving the social situation of the vast majority of the people. Not only applying existing immigration but also labor and social laws against Chinese companies is high on the agenda for achieving this.

## **5. Changing the established South Pacific security architecture: From awakening dragon to a regional hegemon?**

Many analysts have discussed the motives behind China's involvement in the South Pacific. In these discussions concern was expressed that the activities of the People's Republic are strategically motivated and that its growing influence represents a threat to the sphere of influence of the West and especially of the US. Susan Windybank from the influential Australian "Centre for Independent Studies," for instance, argued that China's activities are aimed not only at the isolation of Taiwan, but that they are also part of a long term political and strategic investment aimed at challenging the leadership of the US in the Asia-Pacific region. Even more, Beijing is seeking "the foundations for a new regional order with China as the natural leader and the United States as the outsider" (Windybank 2005: 28).

Henderson and Reilly also assume that the Pacific is an important area for China for gaining a foothold, extending its influence, recruiting new allies and testing its growing strength and ability to recruit allies in a region that until now has been dominated by Western powers: "China's long-term goal is to ultimately replace the United States as the pre-eminent power in the Pacific Ocean" (Henderson/Reilly 2003: 1f). However, because there are no hard facts to support this thesis, it may be precisely the assumed strategic irrelevance of the region that is of interest to an expansionist China: "Paradoxically, the very fact that the Southwest Pacific is considered a strategic backwater may make it more attractive as a testing ground for China's growing power and ability to shore up allegiance in a region hitherto considered an 'American lake'" (Windybank 2005: 29).

In Washington too observers are warning about the long term strategic intentions of the People's Republic. These are said to be aimed at revising the existing balance of power in the world. They are patient and inconspicuous and think long term.<sup>46</sup> For this reason, according to a spokesperson of the US Ministry of Defense in 2006, on the occasion of the

<sup>46</sup> For example, former Pentagon Asia specialist, Peter Rodman, quoted in the Washington Post 26 May 2007: "Pentagon: China improving its ability to launch surprise attacks, down satellites."

visit of the Chinese President Hu Jintao in Washington, risk assessment in relation to “the unknown” should have a high priority.<sup>47</sup>

The focus of these threat analyses is China’s modernization of its military. The country is regarded as not only one of the world’s least transparent nuclear powers. Irritations and mistrust also exist in connection with Beijing’s future plans about where to position itself in the regional and international security order. Despite constant troop reductions the People’s Liberation Army (PLA), with just under 2.3 million soldiers still the largest regular army in the world, has been undergoing technological modernization since the external economic opening up under Deng Xiaoping, and since the reform era this has been pursued even more strongly. It involves equipment and personnel as well as organizational structures. The defense budget has growing at a high rate for years. In the period 1990-2005 annual military expenditures increased on average by 15.4%, much more than the real economic growth of 9.6% (1999-2007).<sup>48</sup>

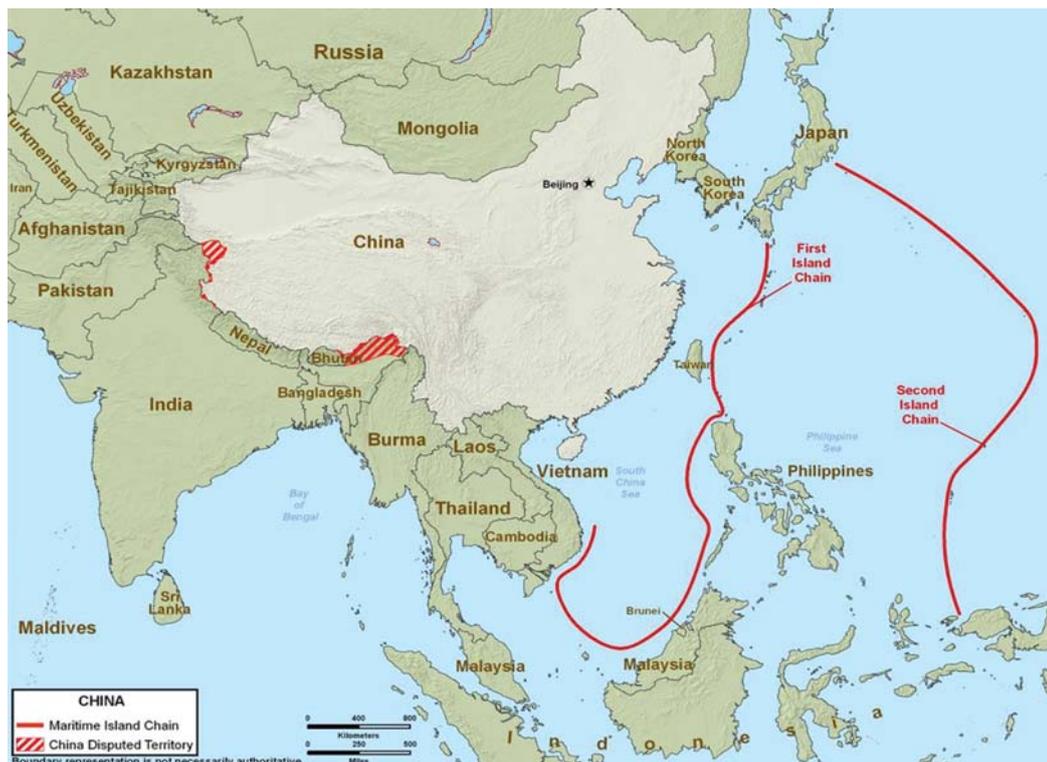
In 2007 the budget was officially US\$ 52 billion. This corresponds to 1.38% of GDP and 7.14% of government spending. There is continuing controversy about the accuracy of the Chinese figures. Although the statistical data for 2007 are in general terms confirmed by Australian military intelligence, the US Department of Defense by contrast estimates the true financial expenditures at US\$ 90 to US\$ 140 billion (State Council 2009, Davies 2009). In 2008 China advanced to second place behind the US among the states with the highest armaments budgets, ahead of France and the United Kingdom (SIPRI 2009: 11). Regardless of the growing strike-force potential of its military in the areas of nuclear, space, air and naval forces, Beijing officially emphasizes the defensive character of its military modernization over and over again, something that is also confirmed by observers. Over and above this, expansion of the navy for the security of their own spheres of interest remains in the foreground. These involve the security of their territorial integrity (Taiwan), of strategic sea routes and of their raw materials markets (Brune et al. 2009, Bader 2008).

47 For instance, a Pentagon spokesperson stated: “we and others have to naturally hedge against the unknown.” Cited in Agence France-Presse 24 April 2006: “US military shift to the Pacific a hedge against China.” See the scholarly discussion of the China Threat thesis as well as the controversy between Mearsheimer and Shambaugh. The influential political scientist, John Mearsheimer justified the thesis with the argument “that if China continues to grow economically, it will translate that economic might into military might, and it will become involved in an intense security competition with the United States, similar to the security competition that existed between the United States and the Soviet Union during the Cold War. That intense security competition, in my opinion, is unavoidable [...] Why should we expect that China won’t have a Monroe Doctrine, when we have a Monroe Doctrine? [...] I think that we’ll go to considerable lengths to slow down Chinese economic growth” (cited in Overholt 2008: 223). By contrast China specialists like David Shambaugh argued that they do not recognize the China that Mearsheimer describes. There is no evidence for his Chinese hegemony theory. For this reason even a preventative confinement is rejected (Shambaugh 2004-5: 94). What is emphasized even more strongly is that the majority of the nations of the region evaluate China as a good neighbor and constructive partner, i.e., as a non-threatening regional power, a clear change in the prevailing regional perspective of a few years before, which feared that China would be a dominant regional hegemony and a powerful military threat (ibid). According to Chan it is the falling hegemony and not the rising challenger that poses the greatest threat to international peace and stability (Chan 2008: 21f).

48 Bader 2008; wko.at/statistik/jahrbuch/worldGDP.pdf (15 August 2009).

Strategists in the US, Australia and New Zealand draw attention in this context to the fact that China is seeking a stronger maritime presence in its geographical environment in accordance with the concept of the three “island chains” (see Figure 2) (US Department of Defense 2009; Sutter 2007; Lum/Vaughn 2007). Military theorists of the People’s Republic see the island chains as a geographical basis for China’s maritime defensive perimeter. The strategic concept, which had already been introduced in 1988 as the long term development plan of the navy, anticipates that by 2010 high seas capacity (“blue water” or “blue ocean capacity” by contrast with coastal “green water” capacity) will be sufficient for the first defensive chain. This stretches from southern Japan via Taiwan to the Philippines. By 2025 the capacity to control the Philippine Sea should exist, which would directly affect the two US territories Commonwealth of the Northern Mariana Islands and Guam, as well as the freely associated state of Palau. The third line will become significant after the completion of modernization and the resulting military parity with the US in the middle of the 21st century, a date when, according to the estimates of Heberer and Senz “a larger global military conflict is probable.”<sup>49</sup> This line will stretch from the Aleutians in the north to the Antarctic in the south (Buchanan 2009; Yang 2008).

**Figure 2: China’s first and second maritime lines of defense**



Source: US Department of Defense 2009: 18

<sup>49</sup> Heberer/Senz 2005: 48; see also State Council 2009: 7 as well as the annual reports of the US Department of Defense to Congress.

China's maritime strategy is easier to describe than to implement. Even if military modernization in the area of the navy and strategic forces is most highly advanced, the deficits resulting from the low baseline position are still substantial. David Shambaugh established that the People's Liberation Army may have implemented reforms a decade ago, but as the Gulf war in 1991 demonstrated, it is still committed to waging war as practiced in a past era (Shambaugh 2002: 3). Heberer/Senz also saw further confirmation of China's military backwardness in the two Gulf wars (2006: 47). It is true that since then Beijing has accelerated its efforts to upgrade its defenses. However, the weapons embargo on China limits access to Western armaments and technology. As a result, the gap between conventional weapons technology and defense technology can hardly be closed. Instead, in Shambaugh's judgment, this gap is growing constantly (2002: 330), which can also be explained by the at least seven times larger defense budget of the US (2008), representing more than 40% of global military spending (SIPRI 2009: 11).

To be taken note of by the South Pacific is also the comprehensive status of the US as guarantor of local security through its overwhelming naval presence. The embedding of the South Pacific states in the policy of "strategic denial" pursued by the US together with Australia and New Zealand prevented the efforts of the Soviet Union as a superpower with substantial "blue water" capacity to gain a foothold in the region during the Cold War (D'Arcy 2007; Henderson/Reilly 2003). The US and China were in effect allied in a strategic alliance in this regard against the joint challenge (Frost 2005-2006). The diplomatic and development policy presence of the US in the region – comparable with Germany and the United Kingdom too – has continuously decreased since the end of the Cold War. This reflects not only reduced economic interest in the region, but in the case of the US the changed demands of the global security environment, which with the "war on terrorism" has experienced a new thrust. However, the US is not the only player ensuring security. In maintaining (security-related) political stability and promoting development, Washington relies primarily on Australia and New Zealand.

Accordingly, the region can be differentiated into the four spheres of influence of Australia, New Zealand, the US and France. Australia's regional interests relate to the island states south of the equator and in this area the larger Melanesian states of Papua New Guinea, the Solomon Islands and Vanuatu. New Zealand has longstanding links to the small states of Tokelau and the one-time colony of Samoa (previously West Samoa), as well as to the two self-governing freely associated states of Cook Islands and Niue. The country has a large Polynesian population of its own and provides a home for several hundred thousand Polynesian migrants (Lum/Vaughn 2007). Australia and New Zealand are cooperating more closely in matters of regional security. Currently, an "Australia New Zealand Army Corps" force (ANZAC) is being built up, which will be employed in various security configurations.<sup>50</sup>

50 ANZAC is derived from the Australian and New Zealand Army Corps in the First World War. See PNG Post-Courier 21 August 2009.

The direct US sphere of influence extends over substantial areas of Micronesia. This includes the two US territories, Commonwealth of the Northern Mariana Islands and Guam, as well as the freely associated states (“Compact of Free Association”), the Republics of the Marshall Islands and Palau and the Federated States of Micronesia (Kosrae, Pohnpei, Chuuk and Yap), whose security and defense policy is determined in each case in Washington. From 1947-1977 these former Japanese “enemy states” (UN) were so-called strategic (influence) zones of the US controlled UN trust territory “Trust Territory of the Pacific Islands,” for which not the General Assembly but the Security Council was responsible.<sup>51</sup> To these can be added in Polynesia the US territories of Hawaii and American Samoa.

Guam, the Marianas and the Freely Associated States (FAS) are regarded as the security frontier of the US. Because of their location they possess great strategic significance. Added to these is the Ronald Reagan Ballistic Missile Defense testing range on the Kwajalein Atoll of the Marshall Islands, which is used for monitoring and recovering ballistic rockets and supporting space missions. According to military experts, the FAS also serve as a buffer zone for Guam, which as “an advance military bridgehead” functions as the jumping off point for US military operations along the Asia Pacific security arc. This extends from Japan and South Korea via the Philippines and Thailand all the way to Australia.<sup>52</sup>

The US still has 70,719 soldiers in the east Asian Pacific region,<sup>53</sup> supported by Pacific Command in Hawaii (PACOM) and on the US Pacific coast. In addition, the US is arming massively in the South Pacific. For instance, since 2004 facilities on the island of Guam have been extended, making it an advance support base of high strategic military significance, while in the years 2005 to 2007 US\$ 3.6 billion were invested in military infrastructure with an additional US\$ 15 billion projected for the coming years. Its expansion as an “unsinkable aircraft carrier” foresees, in addition to the transfer of 8,000 Marines and their family dependents from the Japanese island of Okinawa, the construction of an Army Air and Missile Defense Task Force with 600 soldiers plus their families, as well as the extension of Anderson Air Force Base and Apra Harbor, which in the future will be the home base for a nuclear-powered aircraft carrier group. The Okinawa Contract (Guam International Agreement) was only signed between US Secretary of State, Hillary Clinton, and her Japanese counterpart, Hirofumi Nakasone, in February, 2009.<sup>54</sup> Extension and facility upgrades at the base, where 2,970 US soldiers were stationed in 2008, are intended to prepare for potential future conflicts, of which the Chinese military consti-

51 Cf. Jacobs 2004: 98 and [www.un.org/Depts/dpi/decolonization/trust4.htm](http://www.un.org/Depts/dpi/decolonization/trust4.htm) (14 July 2009).

52 Marianas Variety 18 August 2009, Congressional Research Service 2008: 32f.

53 At the end of the Cold War, there were still 119,118 US soldiers stationed in the region. US-Department of Defense: Active Duty Military Personnel Strengths by Regional Area and by Country. 30 September 1990 and 31 March 2008.

54 Radio New Zealand International 18 February 2009.

tutes only one aspect. Possible violent conflicts in the Strait of Taiwan and the Korean peninsula are further factors.<sup>55</sup>

In this large Asia Pacific region, the security partnerships of the US with India, Mongolia, Pakistan, Singapore and Malaysia and Indonesia must also be kept in mind. Over and above that comes a tight network of five bilateral alliances in east Asia or the Pacific (Japan, South Korea, the Philippines, Thailand and Australia) as well as military relationships that are still being forged in Southeast Asia (Vietnam, Laos and Cambodia). The expansion of military capacity and alliances and security partnerships in the region (since the Cold War also referred to as a “hub and spoke” system) is aimed at strategic military risk protection against China, and intended to block that country’s rise to regional hegemony. As a result, with some justification Beijing feels that it is surrounded by the US militarily. The policy of containment pursued by the US – in addition to containment, the two-pronged China strategy under George W. Bush involved integration of China (“engagement”) into the international system – is repeatedly criticized by Beijing in its own defense department documents (see State Council 2009: 5). Modernization of the military is therefore also justified as a response to “strategic maneuvers and containment from the outside”.<sup>56</sup>

An additional factor in regional power is France. The overseas territories of French Polynesia (with the status of “Pays d’outre-mer”), New Caledonia (with the special status of a “Collectivité sui generis”) as well as Wallis and Futuna (with the status of a “Collectivité d’outre-mer”) not only belong to France, but they are also dependent upon Paris for their foreign and defense policies. New Caledonia’s regional position has improved significantly since the end of French nuclear tests in French Polynesia in 1996 and the signing of the “Accord de Nouméa” (Treaty of Noumea) in 1998. Paris is pursuing increased integration of the French areas in the Pacific region as well as of the Pacific bloc as a whole. In addition, the overseas districts are being used as a springboard for the EU. According to the former President, Jacques Chirac, in June, 2006, through France Europe is part of the Pacific: “Europe cannot remain indifferent to the future of a region that covers a third of the world’s surface and also harbors invaluable natural treasures” (cited in Oceania Flash 2007).

This Pacific policy was confirmed by Chirac’s successor, Nicolas Sarkozy, at the third France-Oceania summit in July, 2009 in New Caledonia.<sup>57</sup> The island was also chosen as the regional platform for the French army in the Pacific Ocean. With 1,700 French soldiers, New Caledonia is regarded as France’s hotspot in the heart of Melanesia (Oceania Flash 12 September 2008). In addition, with the “Agreement between Australia and France regarding Defense Cooperation and Status of Force,” which came into force in

55 Bersick 2009: 8f, Pacific Daily News 28 May 2008: “China military buildup shouldn’t worry Guam: Official,” Pacific Daily News 29 October 2009: “Guam wants time to assess military buildup impact.”

56 State Council 2009: no page given, chapter 1: The Security Situation. See also Shambough 2008 and Heberer/Senz 2006.

57 See the closing communiqué at [archives.pireport.org/archive/2009/August/08-03-rep1.htm](http://archives.pireport.org/archive/2009/August/08-03-rep1.htm) (17 August 2009).

July, 2009, France and Australia have intensified military cooperation in the region. The treaty extends the “France-Australia-New Zealand” agreement (FRANZ) for mutual humanitarian and maritime monitoring operations signed in 1992 (see Maclellan 2009).

This overview shows that the military superiority of the US together with its allies continues to cover the whole region. In spite of China’s rise little has changed in this respect since the colonial period. By comparison, China’s ability to extend its power beyond its own mainland and Taiwan are limited. Until now China has had no hard power military role in the region. Regardless of the many threat analyses, until now there is no evidence that China’s redoubled diplomatic activity in the South Pacific represents a calculated strategic move to undermine the well developed relationships of the island states with the dominant powers in the region and to pose a long-term challenge to US hegemony.

There is also no recognizable evidence that Beijing is demanding a regional leadership role or intends to replace South Pacific forces of order. This is supported by China’s consistent reserve in the face of regional violent conflicts (Bougainville, West Papua). Furthermore, none of the island states lies close to strategically significant sea routes which are relevant for China (Wesley-Smith 2007: 15). At present and in the foreseeable future the South Pacific has limited strategic value for China’s national security, if any at all.

This is supported by the fact that until now there is not the slightest evidence that China is planning to establish military bases in the South Pacific. Apart from the satellite monitoring station on Kiribati from 1997 to 2003, which had to be dismantled upon the diplomatic recognition of Taiwan, there are no Chinese military bases or facilities capable of being used for military purposes. Finally, it is impossible to see why, in the light of US military superiority, the seven Pacific States diplomatically aligned with Beijing would place themselves in danger by establishing a military or naval base in the future.<sup>58</sup>

Apart from this it remains unclear how China wants to fit into the international security order in the future. An increase in the transparency of military and security policy would thus be advisable for Beijing. Further constructive international integration of China would support the rise of a responsible great power both regionally and also globally. Doubts about China’s long term intentions are however completely justified, even though Beijing constantly emphasizes that, regardless of its level of development, it is not seeking hegemony or military expansion, neither now nor in the future (State Council 2009: 6). The skepticism which is still widely felt about regional political power, most

58 Comparable with the argument of Shambough 2008, Sutter 2007, Zhang 2007 and Wesley-Smith 2007. Huisken too is convinced that the challenge posed by China does not mean “that it will demolish US primacy and replace it with its own. The timeframe in which a transformation on this scale is even imaginable would be of the order of a century rather than a few decades, and even then it would require the US and the other major powers to deliberately or inadvertently cede such a role to China. The challenge from China lies in its propensity and capacity to take a long-term perspective and to bring all its instruments of power and influence to bear persistently to erode and corrode those features of the present order that it considers to be disadvantageous” (2009: 7).

recently expressed in 2005 by Singapore's Foreign Minister, George Yong-Boon Yeo, will ultimately be measured against Beijing's future concrete involvement.<sup>59</sup>

## 6. Conclusions and perspectives

The present report examines various facets of the growing influence of the People's Republic of China in the South Pacific. There is no doubt that the idea of the region as a sphere of influence of the US alone belongs to the past. The rise of the People's Republic in the first decade of this century has set in motion a previously unknown regional dynamic which has created new challenges for both the Pacific states and their old allies. The Chinese government made skillful use of the waning interest on the part of the West in the region – which reflects worldwide structural changes in the context of a changing international division of labor – to intensify bilateral relations with its seven south Pacific partners.

Although Chinese involvement in the region since the end of the Asian crisis is primarily motivated by the desire to hinder further diplomatic expansion by Taiwan and the solidarity of its allied small states in voting within international organizations, in the past ten years these factors have been augmented by the issue of raw material supplies and securing of sales markets necessary for continuation of high Chinese growth rates. Economic structural change has led to rapid Asianization of broad sectors of the island economies.

The competition for diplomatic recognition between China and Taiwan, which has intensified since the end of the 1990s, undoubtedly has destructive aspects Beijing does not itself observe the principle of non-interference in internal affairs, whose validity it proclaims on all sides, as is shown by its covert or clandestine interventions in the internal policies of numerous island states. This involvement of Beijing and Taipei destabilizes weak states and encourages endemic corruption. In addition, their influence corrupts internal political processes, devalues parliamentary elections and reduces the legitimacy of political actors. That a positive change is becoming visible can be primarily attributed to the election last year of the Taiwan President, Ma Ying-jeou, and the improvement in relations with China, which implies an end to "dollar diplomacy" at least by Taipei.

Beijing's (as well as Taiwan's) in recent years substantially expanded development cooperation is also being criticized, even though, because of its generosity and supposed lack of preconditions (apart from the "one China policy"), it is highly welcomed by governments in the region. The so-called no-strings-attached cooperation, which does not feature either a coherent strategy nor joint planning of projects or budgeting with the recipient country, proves to be deceptive, because all conditions of provision of personnel and materials are bound to Beijing. The major part of the cooperation involves, in addition to debt forgive-

59 George Yeo cited in Commonwealth of Australia 2006: 18.

ness and humanitarian aid, large-scale construction projects which are scarcely adapted to local conditions and primarily serve political elite groups in urban centers. That here too positive change is beginning is demonstrated by the willingness of Taiwan to make its future development cooperation open, transparent and cooperative. China, by contrast, is continuing its refusal to make its development cooperation transparent and to coordinate it with other donor countries.

However, the biggest challenge may well be in economic cooperation. It is true that within a few years China has become an important player in the South Pacific. It is nonetheless only one of a large number of globally engaged investors. At the same time, China as well as other east and southeast Asian states have forfeited a great deal of reputation. This involves not only poor work and social standards, but also illegal activity in the forest and fishing industries as well as the increase in corruption and organized crime associated with Chinese involvement. In addition, the fact that China uses its own workers is scarcely acceptable in the countries that have a high level of unemployment. Even more difficult is the uncontrolled inflow of mainland Chinese, which through its suppression of local enterprise is changing local economic structures. If existing laws and thus the rule of law are not assigned more importance, social conflicts will increase tremendously and further destabilize the still young democracies.

What is obvious is that the economic cooperation with the island states has scarcely delivered the “win-win” situation promised by Beijing. As a result, the “south-south model” proclaimed as an alternative to Western developmental concepts not only lacks an empirical basis, but also has no chance of being implemented. As with other economic players, selfish interests are in the foreground. That Beijing’s diplomatic consultation offensive has nonetheless been successful in numerous states can be attributed, in addition to its financial generosity, to paying court (“on equal footing”) to their political elite groups. With Kevin Rudd (Canberra) and Barack Obama (Washington) it may, in contrast to their predecessors, be possible to regain lost ground.

It is currently not possible to speak of China as offering an attractive model to be followed or even an incipient cultural domination. The English language, the Christian religion, an anti-communist attitude and Western education as the prevailing orientation patterns guarantee a European way of looking at things for decades to come, even though this positive view of the West has frequently been fractured by colonial history as well as arrogance and pursuit of self-interest. The overwhelming majority of the island inhabitants today still looks to Western states for education. The (temporary) migration of hundreds of thousands of Polynesians to New Zealand, the US and other Western states is also a guarantee of continuing relations and cultural continuity.

While it is not possible to speak of “soft power” in the sense of Joseph Nye comparable with that of the West, for decades to come China will certainly not possess the “hard power” capacity for a realistic threat to the security architecture of the Pacific region or even a military challenge to the domination of the US. Apart from the Chinese satellite monitoring station on Kiribati in the years 1997-2003, no military bases exist. China is thus far removed from restructuring the regional order. There are also no known intentions of Beijing to take such a step.

The economic dynamic emanating from the Asian continent and here especially from China will continue in the region. It will continue to be concentrated on the few geographically larger states with raw material resources as well as other international players such as Turkey and Iran, but also the US and the EU, which are once again making their presence felt more strongly in the region. Here too interest in raw materials predominates. One can therefore expect more of a multiplication and diversification of players in the South Pacific, which excludes a single minded focus on Asia and China.

*Pax Americana* continues to be the indispensable framework for embedding China's growth in the broad region. Thus, Chinese-American relations continue to play an important role. Marking out the path for constructive dialog here is the rapprochement between Taipeh and Beijing, which has significantly reduced tensions related to Taiwan. This rapprochement is also reflected in Washington's announcement to move away from the terminology of "containment" in the direction of greater interaction with China. What the current World Bank President, Robert Zoellick, said as representative of the Bush Administration in his well known call in 2005 is still valid: "We now need to encourage China to become a responsible stakeholder in the international system. As a responsible stakeholder, China would be more than just a member – it would work with us to sustain the international system that has enabled its success" (Zoellick 2005: 5).

In the middle term, potential conflicts can only be anticipated if the Chinese expectations of a stronger leadership role in the region and the willingness of the US to make space for this to happen cannot be balanced. This is true both regionally and globally. In general it can be said that the present perception of China, which lies between economically motivated enthusiasm and panic, as well as the *threat* thesis of a rising military superpower, must be weighed against realistic considerations.

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